

New HUD Program Geared Towards Stabilizing Housing Market

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In 2009 the Obama Administration introduced a comprehensive Financial Stability Plan to address the key problems at the heart of the current crisis and get our economy back on track. A critical piece of that effort is the Making Home Affordable Program. The Making Home Affordable is a plan to stabilize our housing market and help Americans reduce their monthly mortgage payments to more affordable levels. The Making Home Affordable Program offers options for homeowners through three key strategies: (1) refinancing mortgage loans through the Home Affordable Refinance Program (HARP), (2) modifying first and second mortgage loans through the Home Affordable Modification Program (HAMP) and the Second Lien Modification Program (2MP) and (3) offering other alternatives to foreclosure through the Home Affordable Foreclosure Alternatives Program (HAFA).

Home Affordable Refinancing (HARP)

Many homeowners pay their mortgages on time but are not able to refinance to take advantage of today's lower mortgage rates perhaps due to a decrease in the value of their home. A Home Affordable Refinance will help borrowers whose loans are held by Fannie Mae or Freddie Mac refinance into a more affordable mortgage.

Home Affordable Modification (HAMP)

Many homeowners are struggling to make their monthly mortgage payments perhaps because their interest rate has increased or they have less income. A Home Affordable Modification will provide them with mortgage payments they can afford.

How do homeowners know if their loan is owned or has been guaranteed by Fannie Mae or Freddie Mac?

Homeowners should ask their mortgage lender or servicer. Also, both Fannie Mae and Freddie Mac have established toll-free telephone numbers and web submission processes to make this data available. Homeowners can enter information to determine if either agency owns or guaranteed the loan. This information is not a guarantee of eligibility for a refinance under HARP, as other qualifying criteria must also be met.

Fannie Mae: 1-800-7FANNIE
www.fanniemae.com/loanlookup

Freddie Mac: 1-800-FREDDIE
www.freddiemac.com/mymortgage

Home Affordable Foreclosure Alternatives (HAFA)

The Making Home Affordable Program will include additional foreclosure avoidance options through the Home Affordable Foreclosure Alternatives (HAFA) Program. While the HAFA Program becomes effective April 2010, servicers may participate immediately, or as soon as is practical. The primary options available through HAFA include Short Sale and Deed-in-Lieu of Foreclosure.

How does the HAFA short sale work?

In a Short Sale, the homeowner sells the property for less than the full amount due on the mortgage. When a homeowner qualifies for the HAFA Short Sale, the servicer approves the Short Sale terms prior to listing the home and then accepts the payoff in full satisfaction of the mortgage.

How does the HAFA Deed-in-Lieu of Foreclosure work?

With the Deed-in-Lieu of Foreclosure, the homeowner voluntarily transfers ownership of the property to the servicer in full satisfaction of the total amount due. The servicer may require that the homeowner list and market the property before they agree to a deed-in-lieu arrangement. In order for the Deed-in-Lieu of Foreclosure to work, the homeowner must provide a marketable title, free and clear of other mortgages, liens, or other encumbrance.

How can a homeowner be considered for HAFA?

A participating servicer must consider a homeowner for HAFA if the borrower requests a short sale or deed-in-lieu under HAFA, and a servicer will also consider a homeowner for HAFA within 30 days of the date the homeowner:

- does not qualify for HAMP; or
- does not successfully complete a HAMP trial period; or
- misses at least two consecutive payments on a HAMP modification.

However, before evaluating a homeowner for HAFA, a participating servicer must first consider that homeowner for other loan modification or retention programs that they offer. In addition, pursuant to the servicer's policies, every eligible homeowner must be considered for HAFA by a participating servicer before the homeowner's loan is referred to foreclosure and before the servicer may allow a pending foreclosure sale to continue.

For more information on the Making Home Affordable program, please visit www.makinghomeaffordable.gov or call 1-888-995-HOPE.